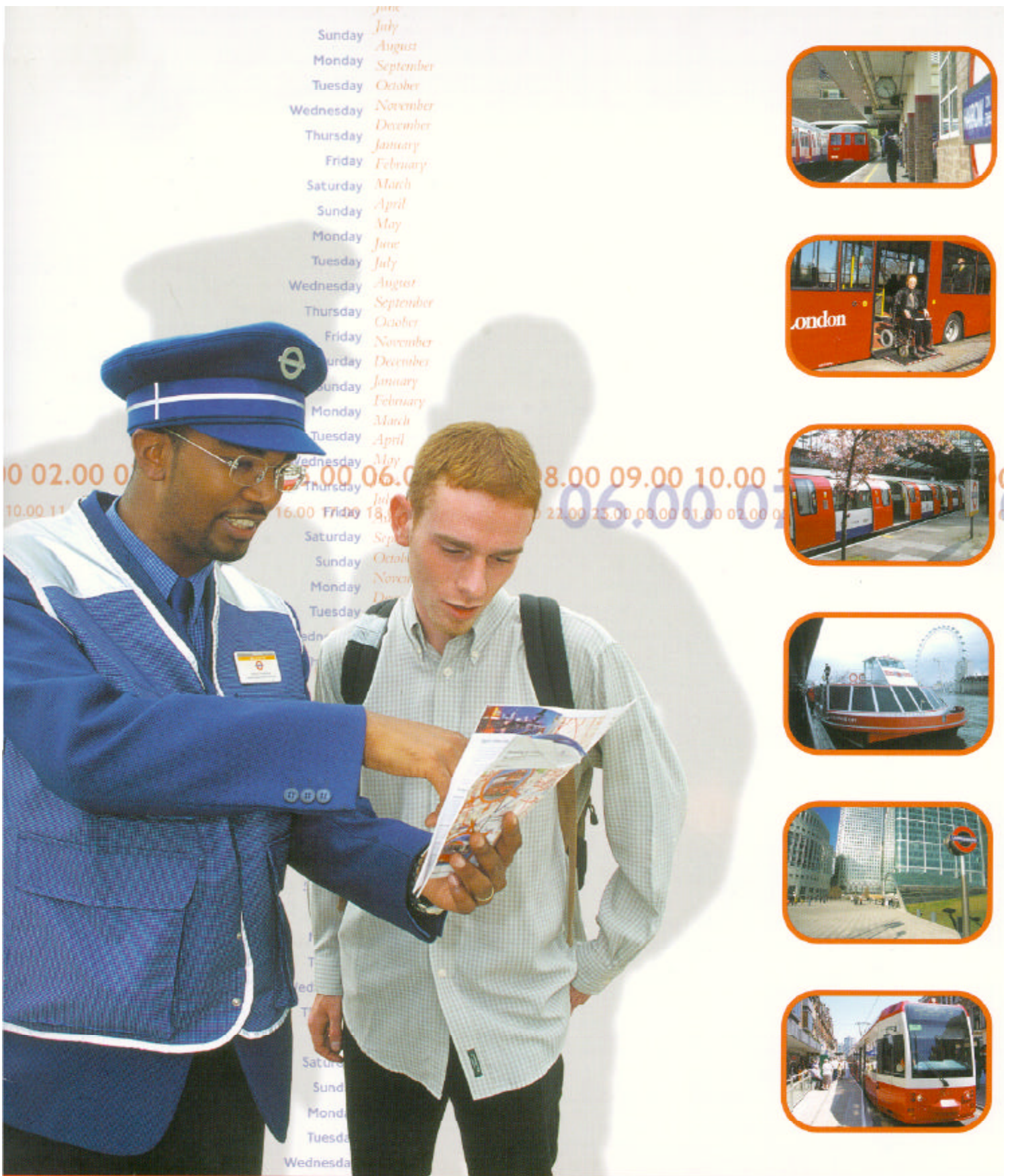




London Transport

Annual Report 2000/01

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Operating and financial review

Group reorganisation

On 1 April 2000, London Transport transferred the majority of its property and operational assets to three subsidiaries – London Underground and two new companies, London Bus Services and Transport Trading – in preparation for the creation of Transport for London. On 3 July 2000, Transport Trading, together with its subsidiaries, London Bus Services, and Victoria Coach Station, transferred to Transport for London. The vested capital has been reduced for the £34 million of net assets, on a historical cost basis, vested in Transport for London. On 1 April 2000, London Underground transferred its engineering functions to three new subsidiaries in preparation for the Public Private Partnership (PPP). When these subsidiaries have been transferred to the private sector, London Underground will also be transferred to Transport Trading, and London Regional Transport will be dissolved. London Underground has finalised a new version of its Safety Case which has been submitted to the Health and Safety Executive (HSE) for acceptance. Before transfer of the infrastructure companies to the private sector, a material revision to the Safety Case will be submitted for acceptance by the HSE.

Underground service performance

Once again travel on the Underground has reached record levels. This continuing growth in demand, over 4½ % in the last year and 25% in the last decade, places increasing strain on the ageing network and further emphasises the need for sustained and substantial investment in the system.

Although the volume of service provided increased by some three-quarters of a million train kilometres compared with the previous year, this was below the planned level and the associated Government target was not achieved. The percentage of services operated, at 91.6% fell by 2.7% compared with 1999/2000. While this was partly as a result of strike action, which severely limited services on two days, the Underground recognises that reliability in some areas has fallen below acceptable levels and has instituted a major programme of work, including the recruitment of 150 train drivers, to reverse this trend.

However two lines, the Central and Northern, that have benefited from major modernisation programmes over recent years continued to improve and were the best performing lines in 2000/01. The below-par service performance, events on the National Railway network, and generally negative media coverage regarding rail safety and the PPP are all evident in customer satisfaction surveys, which did not attain the demanding targets set by Government.

Improving the network

Funds provided by Government in July 1999 and March 2000 enabled the Underground to continue a programme of essential renewal and replacement.

A £40 million programme of work on escalators included major repairs to secure rapid return to service of some machines where routine checks had resulted in their withdrawal from service on safety grounds. As a result, substantial improvements in availability were achieved by the end of the year. In addition, planned replacement or refurbishment of 17 machines was completed.

During 2000/01 over 14 kilometres of track was replaced as part of a £60 million programme. Wherever possible, this work and other upgrading of the Underground's infrastructure are carried out at night and at weekends so as to minimise disruption to customers. Occasionally, however, longer closures are unavoidable. In summer 2000 it was necessary to close the Victoria line between Victoria and Brixton for three weeks in order to replace life-expired crossovers, and in February 2001, the District line from Earl's Court to High Street Kensington was closed for essential strengthening work to be carried out to the tunnel between these stations, and reopened as planned from 14 May. These complex projects were completed to time and within budget.

Some £74 million was spent on modernising stations including refurbishment at Colliers Wood and South Wimbledon, which will complete the programme of station modernisation at the southern end of the Northern line. Work continued during the year at Knightsbridge and Warren Street stations and major

Operating and financial review

improvement schemes commenced at Brixton and Earl's Court.

The Jubilee Line Extension has attracted prestigious awards, including the Civic Trusts Urban Design Award, and the Millennium Building of the Year Award for Westminster station.

Customer service improvements

Our commitment to customer focus has remained a priority this year. The introduction of language badges for Underground station assistants has made visible staff who are able to converse and provide information in languages other than English to our customers.

There has also been an increase in the number of customer care assistants across the network, operating at a total of 19 stations. In November 2000 we launched our website 'Thetube.com', providing customers with journey planning facilities, live service updates, and other information about the Underground including fares, ticketing, and career opportunities.

Integration

London Transport has continued to work with other transport providers and Transport for London to improve integration of services for the benefit of London. Easier transfer from one mode of transport to another can sometimes be achieved through relatively simple and inexpensive solutions such as better information or signage and work continues on these types of initiatives. Better informed station staff are able to give information on transport modes connecting with their own. The latest edition of the Tube map incorporates information about interchange with river piers and symbols for mobility impaired access. Work is being carried out on behalf of the DETR on the Channel Tunnel Rail Link at King's Cross which will bring congestion relief, accessibility and integration benefits to London.

More radical initiatives are to be found across the network. Many of these are in an advanced planning and design stage. The Victoria Transport Interchange project will improve facilities and transfers between buses, National Rail services and Underground services. Longer term, the Underground is working closely with the Strategic Rail Authority on the extension to the East London Line which will improve cross-river services and connections throughout that part of London. The southern extension has gone through the Transport & Works Act phase and is awaiting Government response to the Inspector's report. Initial feasibility, planning and design work on CrossRail is complete, a scheme which has now received further government backing. "Safeguarding" work continues on the proposed Chelsea-Hackney line.

Passengers with disabilities

The introduction of new trains on the Northern and Jubilee Lines has brought into use, for the first time in London, combined audible and visual on-board passenger information systems. These announce the name of each station and the train destination, with particular benefit for passengers with sensory impairments. Work continues on the initial design of new trains for the Victoria line and for the sub-surface network, which will be fully compliant with the Disability Discrimination Act Rail Vehicle Accessibility Regulations.

The development of platform "humps", to ensure level access to at least one door of the train at stations where there are step-free routes from the street to the platforms, has been completed. Trial installation at two stations will shortly be undertaken. The continued development of proposals for lift installation at 68 existing stations, to complement those with step-free access on the Jubilee Line Extension and at a number of suburban locations on other lines, has been a part of the preparation for the planned Public Private Partnership. It is expected that work will commence shortly at Earl's Court, East Ham, Fulham Broadway, Hounslow East and Kilburn stations.

Operating and financial review

Financial performance

Continuing growth in the number of Underground passengers helped rail revenue increase by £79 million (7%), whilst the cost of operations also increased as the number of PFI projects coming into service were reflected in higher PFI charges. As a result, the gross operating margin declined to £50 million (1999/2000 £80 million). Depreciation increased as it bore, for the first time, a full year's charge in respect of the Jubilee Line Extension assets.

Of the Government grant of £315 million (1999/2000 £816 million), £153 million (1999/2000 £498 million) was used to pay for the Jubilee Line Extension. The balance, together with property sales of £123 million, was used to help fund capital expenditure of £300 million (1999/2000 £944 million)

Corporate governance

London Transport consults with Government on policy and holds regular meetings to review policy and performance. As far as it is appropriate for nationalised industries to do so, it complies with provisions of the Combined Code.

The Board has agreed arrangements to ensure compliance with the Turnbull guidance from April 2000. In particular, a Risk and Control Committee has been established chaired by the Managing Director and comprising senior Underground executive directors. The principal role of this Committee is to oversee the Corporation's system of internal control, covering all types of business risk and control including adoption of a systematic process for the identification and management of business risk throughout the Corporation.

Statements on corporate governance and on the Corporation's responsibilities are on page 6. Disclosure of Board members' emoluments is on page 18.

Accounting policies

Following the transfer of Transport Trading to Transport for London on 3 July 2000, the Group is solely comprised of London Underground and certain head office functions. While the accounting policies of the Corporation and London Underground had previously been aligned, the policies of London Underground changed in the year ended 31 March 2000 to comply with the newly introduced Financial Reporting Standard 15 - Tangible Fixed Assets, and also Statement of Standard Accounting Practice 4 - Government Grants. Previously London Underground had accounted for grants in accordance with the policy required by the Direction to the Corporation.

During the year the Direction has been changed to adopt Financial Reporting Standard 15 and Statement of Standard Accounting Practice 4. This has resulted in the comparatives for 1999/2000 being restated and a number of prior year adjustments.

Infrastructure additions are now capitalised and depreciated whereas previously infrastructure replacement was expensed in the Profit and loss account as renewals.

Following the change to depreciate infrastructure, which is mainly grant funded, £5,509 million of grants have been reclassified as deferred income. Previously, grant received for infrastructure was credited and held in a Capital grant reserve.

The changes are set out in detail in Note 28.

Payment of suppliers

London Transport supports the Government's view that large corporations should act responsibly by paying invoices promptly. Appropriate terms and conditions, which range from standard terms and conditions to those individually negotiated for large civil contracts, are agreed with suppliers. Payment is normally made in accordance with the agreed terms, providing the supplier has also complied with these terms (see Note 27 to the accounts).

Board members

as at 31 March 2001

London Regional Transport Board

Sir Malcolm Bates
Non-executive Chairman

Executive member

Mr D V Smith

Non-executive members

Mr B Appleton

Ms K Bahl

Mr D A Higgs

Mr D Newlands

Mr E A Wallis

Ms F Low (Secretary)

The members of the LT Board are appointed by the Secretary of State who determines their terms and conditions. Sir Malcolm Bates served as Chairman until 8 May 2001 and from 17 July 2001. Bob Kiley served as Chairman from 8 May 2001 to 17 July 2001. Mr D Newlands resigned on 8 May 2001.

Direction given by the Secretary of State

The Secretary of State for the Environment, Transport and the Regions (“the Secretary of State”), with the approval of the Treasury and after consultation with London Regional Transport, in pursuance of Section 23 of the London Regional Transport Act 1984, hereby gives the following Direction:

1 The annual accounts, which it is the duty of London Regional Transport (“the Corporation”) to prepare shall, in respect of the year ended 31 March 2001, save as described in Schedule 1, comply with:

- i) the accounting and disclosure requirements of Companies Act 1985 currently in force;
- ii) the accounts disclosure requirements of paragraph 43 of chapter 12 of the FSA listing rules; and
- iii) generally accepted accounting practice in the United Kingdom (UK GAAP).

2 The annual accounts shall include the information set out in Schedule 2 to this Direction.

3 The Direction shall be reproduced in the annual accounts.

Ewan West

Signed by authority of the Secretary of State on 8 February 2001. A Senior Civil Servant in the Department of the Environment, Transport and the Regions.

Schedule 1

1 The annual accounts referred to in paragraph 1 of the Direction will be prepared under Companies Act 1985 alternative accounting rules. The following accounting policies will be adopted:

- i) the carrying value of investments should be at their historic cost; and
- ii) the vested capital shall be reduced for the net assets vested in Transport for London.

2 The Profit and loss account shall be prepared in accordance with format 2 prescribed in the Companies Act 1985 and shall show the operating loss before grants.

3 The Balance sheet shall:

- i) be prepared in accordance with format 1 prescribed in the Companies Act 1985;
- ii) show Corporate capital and reserves on the face of the Balance sheet; and
- iii) present items A to J in format 1 so as to show the total of those items as “Net assets” separately from the totals of item K, i.e. “Capital and reserves”.

Schedule 2

1 The supplementary information to the accounts shall include summarised Profit and loss accounts and Balance sheets of the Corporation’s directly held major subsidiaries and a statement of the unit costs of the main operating subsidiaries.

2 The Notes to the accounts shall include:

- i) an analysis of sales revenue and profit or loss before grants over the principal activities; and
- ii) a statement of the Corporation’s performance against external finance and other limits set by the Secretary of State.

Corporate governance

Corporate governance is concerned with how companies are directed and controlled and in particular with the role of the Board of Directors and the need to ensure a framework of effective accountability. London Regional Transport (LT) is a statutory corporation reporting to the Secretary of State. This statement explains how the Corporation has applied during the year ended 31 March 2001 the principles set out in the Combined Code issued by the London Stock Exchange, as set out below.

The LT Board

At 31 March 2001 the LT Board consisted of seven members, of whom one is executive and six are non-executive (including the Chairman). On 8 May 2001 Mr D Newlands resigned as a board member. All the non-executive directors are independent of management and they make a significant contribution to the functioning of the LT Board, thereby helping to ensure that no one individual or group dominates the LT Board's decision making process. In 2000/01 the LT Board met monthly and additionally when a session was devoted to the long-term strategic direction of the Corporation. The LT Board's focus is on strategy formulation, policy and control. A high-level delegation authority was in place which describes the delegation of authority below LT Board level as well as specifying those issues which remain within the LT Board's preserve. At each scheduled meeting of the LT Board, the Managing Director reports on the Corporation's operations and financial position. In addition, the LT Board has adopted standard procedures and practices whereby key tasks affecting the Corporation are reviewed on a regular basis. The LT Board is satisfied that it is provided with information in an appropriate form and quality to enable it to discharge its duties effectively.

The Chairman of the Corporation is a non-executive director, who is responsible for the running of the LT Board. The LT Board is responsible to the Secretary of State for the direction and control of the Corporation and the Managing Director is responsible to the LT Board for management of the Corporation within parameters set by the LT Board. The Managing Director is assisted in managing the

business on a day to day basis by the London Underground Board, which he chairs and which in 2000/01 met bi-monthly and comprises his direct reports. The Managing Director, on behalf of the LT Board, has regular meetings with ministers and officials. These meetings cover strategic and operational issues, including achievement of performance objectives.

LT Board members are appointed by the Secretary of State, who determines their terms and conditions of employment including their remuneration, which is set out on page 18. All directors have access to the advice and services of the Secretary and Legal Director and the LT Board has established a procedure whereby directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Corporation's expense.

LT Board Committees

The LT Board and its principal subsidiary, London Underground Limited (LUL), maintain a number of committees, all of which operate within written terms of reference, and reports on their meetings are submitted regularly to the LT Board. These include the following committees which have a principal interest in internal control.

Audit Committee

Mr D Newlands chaired the Audit Committee, until he resigned, and comprised three members (including the Chairman of the Audit Committee). The Audit Committee met four times in 2000/01. Its prime tasks are to review the scope and performance of external and internal audit, to receive regular reports from KPMG and the Head of Audit, and to review the Annual Report before it is presented to the LT Board. The Audit Committee also conducts an annual review of the remit of the internal audit function, its authority and resources. The Audit Committee acts as a forum for discussion of internal control issues and contributes to the LT Board's review of the effectiveness of the Company's internal control and risk management systems and processes. Membership of the Audit Committee is restricted to independent non-executive directors.

Corporate governance

Health, Safety and Environment Committee

The Health, Safety and Environment Committee is chaired by the Managing Director and comprises nine members (including the Managing Director and a non-executive member with special interest in safety). The Committee is responsible for ensuring the Corporation's obligations for health, safety and environment issues are achieved and trends and actions arising from reports from enforcing authorities and investigations into serious incidents have been addressed. The Committee met monthly in 2000/01 and receives quarterly reports on safety performance and half yearly compliance reports on the Health Safety and Environment Management System and Safety Case from a separate safety audit function which reports to the Director Safety, Quality and Environment.

The Managing Director reports to the LT Board on a six-monthly basis on safety performance and on specific health, safety and environment issues as and when necessary. The Safety Case contains an analysis of the risk, controls, mitigating actions and responsible managers. It also includes an assessment of why the risks are acceptable. The Safety Case has been approved by the LUL Board and accepted by the Health and Safety Executive, an independent Government body. The Committee also receives an annual report on the changing network risks over the year. A Safety Review Group chaired by the Director Safety, Quality and Environment, reviews the acceptability of the changes in safety risk arising from ongoing changes within the business and network environment and to the assets.

Risk and Control Committee

The LT Board has agreed arrangements to ensure compliance with the Turnbull guidance from April 2000. In particular, a Risk and Control Committee has been established chaired by the Managing Director and comprising senior LUL executive directors. The principal role of this Committee is to oversee the Corporation's system of internal control, covering all types of business risk and control including adoption of a systematic process for the identification and management of business risk throughout the Corporation.

This Committee, which has met ten times during the year, reports quarterly to the LT Board on business risk, control and assurance issues and has reviewed the effectiveness of the Corporation's internal controls. Management reports regularly to the Committee on how the significant risks including safety, security and legal compliance, are managed and controlled. These reports have provided the means by which the Committee monitors the actions taken by management in implementing a risk based system of control. The Committee has challenged the significance of the risks and effectiveness of the controls and assurance processes being maintained.

Internal control

The LT Board is responsible for ensuring that the Corporation maintains a system of internal controls, including suitable monitoring procedures and for reviewing its effectiveness throughout the Corporation. However, it is important to note that the size and complexity of the Corporation's operations mean that such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The system of internal control is to enable the Corporation to achieve its corporate objectives within a risk management framework, not to eliminate risk. The LT Board has established statements on control for Internal Control, Business Risk Management and the Prevention and Detection of Fraud. Under those statements management is responsible for defining, operating, monitoring and reporting on the risk management and control processes.

The LT Board confirms that an ongoing process for identifying, evaluating and managing the Corporation's significant risks has operated during the year up to the date of approval of the Annual Report. This process has been subject to regular review by the LT Board and accords with guidance contained in 'Internal Control – Guidance for Directors on the Combined Code' issued by the Institute of Chartered Accountants in England and Wales in September 1999.

Corporate governance

The Corporation's key elements of this process include:

- i) All significant risks and the effectiveness of the related controls and assurance processes contained in the LUL Risk Register are reviewed on an ongoing basis during the year by the Risk and Control Committee, on behalf of the LT Board, as described in the 'LT Board' section above. The LT Board reviews the quarterly reports from the Risk and Control Committee.
- ii) Health, safety and environment risks are also considered on behalf of the LUL Board by the Health, Safety and Environment Committee as described in the 'LT Board' section above. The LT Board reviews the half-yearly reports on health, safety and environment issues from the Managing Director.
- iii) Risk owners are responsible for managing the risks assigned to them and for embedding risk management and control throughout their directorates.
- iv) Clearly laid down procedures, authorisation levels and proper segregation of duties.
- v) In addition to the reporting under the Statements on Control, management are also responsible for detailed four-weekly reporting of performance, trading results, balance sheets and cash flows, with regular review by management of variances in support of the overall risk management process.

The LT Board recognises that an effective approach to risk management requires continued review and development of related processes. As part of this ongoing activity, a process of control self-assessment and hierarchical reporting is being established which provides for a documented and auditable trail of accountability. These procedures are relevant across Group operations and provide for successive assurances to be given at increasingly higher levels of management and finally to the LT Board.

The LT Board has established a process for reviewing the effectiveness of the system of internal control through reports it and the board committees receive from Risk Owners. The Audit Committee, as described above, makes an important contribution to this assurance process. Internal Audit provides independent assurance that the processes by which significant risks are identified, assessed and managed are appropriate and effective. The Risk and Control Committee, on behalf of the LT Board, undertook a formal annual assessment of the risk management and control arrangements on 11 April 2001 in order to form a view on the overall effectiveness of the system of internal control.

The Corporation's responsibilities for the accounts

London Transport is required by the Direction, which is set out on page 5, to prepare accounts which give a true and fair view of the profit or loss, cash flow and the state of affairs of the Corporation and its subsidiaries in respect of each accounting year. The LT Board approves suitable accounting policies, ensures they are applied consistently, and makes judgements and estimates that are reasonable and prudent.

The LT Board is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Corporation and which enable it to ensure that the financial statements comply with the Companies Act 1985, save as directed. It is also responsible for taking reasonable actions to safeguard the assets of the Corporation and its subsidiaries and to prevent and detect fraud and other irregularities.

Going concern

The Directors confirm that they are satisfied that the Corporation has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Auditors' report

Auditors' report to the Secretary of State for the Environment, Transport and the Regions on the accounts of London Regional Transport

We have audited the accounts on pages 10 to 31.

Respective responsibilities of Board members and auditors

As described on page 8, the Board members are responsible for exercising the Corporation's responsibility for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the terms of reference dated 24 July 2000 issued to us by the Department of The Environment, Transport and the Regions, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with applicable accounting standards, section 23 of the London Regional Transport Act 1984 and the Direction dated 8 February 2001 given by the Secretary of State of Environment, Transport and the Regions to the Board members of London Transport. We also report to you whether in all material respects, expenditure and income for the year ended 31 March 2001 have been applied to the purposes intended by Parliament and the financial transactions conform to the London Regional Transport Act 1984. We also report to you if, in our opinion, the Annual Report is not consistent with the accounts, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Board members' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 6 to 8 reflects the Corporation's compliance with the seven provisions of the Combined Code specified for our review by the Listing, and we report if it does not. We are not required to consider whether the Board members' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Board members in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinions

In our opinion the accounts give a true and fair view of the state of affairs of the Corporation and the Group as at 31 March 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with applicable accounting standards, section 23 of the London Regional Transport Act 1984 and the Direction dated 8 February 2001 given by the Secretary of State of Environment, Transport and the Regions to the Board members of London Transport.

In our opinion, in all material respects, expenditure and income for the year ended 31 March 2001 have been applied to the purposes intended by Parliament and the financial transactions conform to the London Regional Transport Act 1984

KPMG

Chartered Accountant

Registered Auditors

18 July 2001

Group profit and loss account

<i>year ended 31 March 2001</i>		2000/2001	restated 1999/2000
	<i>Note</i>	£ m	£ m
Sales revenue			
Continuing operations	2	1,223.1	1,144.0
Discontinued operations	2	107.9	359.6
Sales revenue	2	1,331.0	1,503.6
Cost of operations	3a	(1,280.7)	(1,423.2)
Gross operating margin		50.3	80.4
Depreciation	10c	(343.7)	(311.3)
Operating loss before grants			
Continuing operations	2	(267.6)	(143.9)
Discontinued operations	2	(25.8)	(87.0)
		(293.4)	(230.9)
Grants taken to the Profit and loss account	17	253.0	226.3
Operating loss after grants		(40.4)	(4.6)
Profit on disposal of assets		20.5	14.1
Loss on transfer of subsidiary companies	29	(4.5)	-
Profit/(loss) before taxation	4	(24.4)	9.5
Taxation	9	-	-
Profit/(loss) for the year	20	(24.4)	9.5
Accumulated profit at the beginning of the year		13.5	9.9
Realisation of accumulated revaluation surplus		84.4	36.7
Transfer to capital reserve	19	(59.9)	(42.6)
Accumulated profit at the end of the year		13.6	13.5

Balance sheets

		Group		Corporation	
		2001	restated 2000	2001	restated 2000
<i>at 31 March 2001</i>	<i>Note</i>	£ m	£ m	£ m	£ m
Fixed assets					
Tangible fixed assets	10	8,746.3	9,005.7	-	293.5
Investment in subsidiaries	11	-	-	466.1	470.6
Total fixed assets		8,746.3	9,005.7	466.1	764.1
Current assets					
Stocks	12	19.9	15.5	-	0.4
Debtors	13	186.4	134.2	111.5	198.9
Short-term deposits		-	9.2	-	-
Cash at bank and in hand	14	13.4	12.9	0.2	2.3
Total current assets		219.7	171.8	111.7	201.6
Creditors: amounts falling due within one year	15	(569.3)	(651.9)	-	(161.1)
Bank overdraft	15	(13.3)	(12.7)	(0.2)	(2.3)
Total creditors falling due within one year		(582.6)	(664.6)	(0.2)	(163.4)
Net current assets/(liabilities)		(362.9)	(492.8)	111.5	38.2
Total assets less current liabilities		8,383.4	8,512.9	577.6	802.3
Creditors: amounts falling due after more than one year	16	(11.9)	(3.7)	-	(3.7)
Deferred grants	17	(5,370.4)	(5,508.9)	-	(97.4)
Provisions for liabilities and charges	18	(77.4)	(66.8)	(23.6)	(44.1)
Net assets		2,923.7	2,933.5	554.0	657.1
Capital and reserves					
Corporate capital and reserves	19	2,910.1	2,920.0	548.7	651.8
Profit and loss account	20	13.6	13.5	5.3	5.3
Total capital employed		2,923.7	2,933.5	554.0	657.1

These accounts were approved by the Board on 18 July 2001 and signed on its behalf by

Derek Smith

Board member and Chairman of London Underground

Group statement of total recognised gains and losses

<i>year ended 31 March 2001</i>	<i>Note</i>	2000/2001 £ m	restated 1999/2000 £ m
Profit/(loss) for the year		(24.4)	9.5
Revaluation of tangible fixed assets	10a	48.4	27.7
Gains arising on prior year adjustment		-	41.5
Reclassification of Capital grant and Capital reserve as Deferred grant	17&28	(5,508.9)	-
Total recognised gains/(losses) for the year		(5,484.9)	78.7

Note of Group historical cost profits and losses

<i>year ended 31 March 2001</i>	<i>Note</i>	2000/2001 £ m	restated 1999/2000 £ m
Profit/(loss) for the year		(24.4)	9.5
Difference between historical cost depreciation and actual depreciation charge included in the Group Profit and loss account	10c	27.3	34.7
Realisation of the accumulated revaluation surplus on properties sold during the year		52.6	2.0
Realisation of the accumulated revaluation surplus on the assets of subsidiary companies transferred during the year	29	4.5	-
Realisation of the accumulated revaluation surplus	19	84.4	36.7
Historical cost profit for the year		60.0	46.2

Group cash flow statement

Reconciliation of operating loss to net cash inflow from operating activities

<i>year ended 31 March 2001</i>	<i>Note</i>	2000 / 2001 £ m	restated 1999/2000 £ m
Total operating loss before grants per Profit and loss account		(293.4)	(230.9)
Depreciation	10c	343.7	311.3
Decrease/(increase) in stocks		(4.4)	0.9
Increase in debtors		(48.2)	(12.8)
Increase/(decrease) in creditors due within one year		53.4	(10.3)
Increase/(decrease) in creditors more than one year		(3.7)	3.7
Increase/(decrease) in provisions for liabilities and charges		10.6	(23.3)
Transfer of subsidiary companies		18.4	-
Net cash inflow from operating activities	25	76.4	38.6

Group cash flow statement

<i>year ended 31 March 2001</i>		2000 / 2001 £ m	restated 1999/2000 £ m
Net cash inflow from operating activities		76.4	38.6
Capital expenditure and disposals			
Capital expenditure	25	(441.9)	(826.1)
Receipts from sale of fixed assets	25	123.4	23.0
Transfer of subsidiary companies	29	(44.9)	-
Net cash outflow from capital expenditure and disposals		(363.4)	(803.1)
Net cash outflow		(287.0)	(764.5)
Financing and management of liquid resources			
Government grant	7a	315.2	816.5
Grant disbursements	7b	(39.7)	(77.7)
Third-party contributions and other grant funding	25	2.2	26.8
Short-term deposits	26	9.2	(1.1)
Net cash inflow		286.9	764.5
Decrease in cash	26	(0.1)	-

Notes to the accounts

1 Accounting policies

a) Form and content of accounts

The accounts of London Transport (the “Corporation”) and its subsidiaries (the “Group”) are prepared in form and content in accordance with sections 23(2), (3) and (4) of the London Regional Transport Act 1984 (the “Act”) and as directed by the Secretary of State in his Direction, issued under sections 23(2) and (4) of the Act. The Direction requires certain departures from the accounting standards. The accounts are prepared under the historical cost convention, modified to reflect the effect of changing prices, and in accordance with applicable accounting standards, save as directed.

b) Basis of accounting

The Group accounts incorporate the accounts of London Transport and its subsidiaries; such accounts are made up to 31 March. The Corporation’s investments in subsidiaries are stated at cost. Cost is equal to the book value of assets transferred from the Corporation at 30 March 1985 or on the date of acquisition where later.

c) Sales revenue

Sales revenue comprises the value of sales of services or goods in the normal course of business (excluding Value Added Tax) and includes amounts receivable from the London Borough Councils and County Authorities in respect of free and reduced fare travel for older and disabled people.

d) Grants and other funding

Capital grants and contributions from third parties in respect of capital expenditure are held in the Balance sheet as deferred income and are released to the Profit and loss account over the expected economic useful lives of assets in line with the depreciation charge. Grants received from Government are non-repayable.

e) Tangible fixed assets – valuation and depreciation

Infrastructure, rolling stock, plant and equipment

These assets are carried at the estimated cost of modern equivalent assets as at 31 March 1998, together with the cost of subsequent additions, written down to reflect their remaining estimated useful economic lives. Infrastructure consists of tunnels and embankments, stations, track, signalling, and property leased to outside contractors.

Bored tunnels, excavations for stations and embankments entering service prior to 1 April 1992 are carried in the Balance sheet at nil value as there are no records of their historical cost and it is impractical to provide a reliable valuation. Associated land is carried at vesting value at 1 January 1970, or at subsequent cost.

Other property

These assets consist of investment properties commercially let and capable of being separated from operational property (e.g. offices, shops, residential property and disused operational property awaiting disposal) and business properties occupied by the Group which are not limited in their future use by operational constraints or requirements and which are not integral to the infrastructure (e.g. offices).

These properties are valued at open market value by the Managing Director, LT Property in accordance with the Royal Institution of Chartered Surveyors’ guidelines. Business properties are valued on an existing use basis. Investment properties are valued with additional consideration of alternative uses. The revaluation is credited to Revaluation reserve.

Notes to the accounts

1 Accounting policies continued

Sales of properties are recognised on the exchange of contracts and the net profit, after charging any related costs, is credited to Profit and loss account. Sales proceeds are used to contribute towards financing the Group's capital expenditure, and therefore the profit or loss (after taxation) arising is appropriated to Capital reserve.

Assets in course of construction

These assets (including prepayments) are carried at cost and include expenditure on new and extended railway lines not yet in use and preliminary expenditure incurred on projects prior to full approval.

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives, which are reviewed regularly, and which for the major categories fall in the following ranges:

Tunnels and embankments	up to 100 years	Bridges and viaducts	up to 100 years
Track	up to 50 years	Signalling	up to 40 years
Rolling stock	up to 50 years	Escalators and lifts	up to 40 years
Other plant and equipment	up to 40 years		

Leasehold properties are amortised over the lease term. In accordance with Statement of Standard Accounting Practice 19, investment properties are not depreciated.

f) Stocks

Stocks consist primarily of materials required for the operation and maintenance of rolling stock, properties and infrastructure. These stocks are valued at cost less provision for obsolescence.

g) Insurance

The Group maintains certain insurance policies for damage to, and loss of, owned/third-party property and for its potential liabilities to employees and third parties. In addition, the Group selectively self-insures its exposures under the above and other headings. Provision is made for the estimated value of the Group's liability in respect of self-insured claims.

h) Pensions

The costs of providing pensions are recognised on a systematic basis and are charged to the periods benefiting from the employees' services. The difference between the charge to Profit and loss account and the contributions paid is shown as an asset or liability in the Balance sheet.

i) Deferred taxation

Provision is made for deferred taxation arising from timing differences between profits or losses as computed for taxation purposes and profits or losses as stated in the accounts, to the extent that the liability will be payable in the foreseeable future.

Notes to the accounts

2 Group sales revenue and profit/(loss) before grant by activity

	Sales revenue 2000/2001 £ m	Sales revenue 1999/2000 £ m	Profit/(loss) before grants 2000/2001 £ m	restated Profit/(loss) before grants 1999/2000 £ m
Continuing operations				
Rail operations	1,180.3	1,100.9	(297.8)	(176.6)
Property	41.4	41.6	34.4	36.8
Group services	1.4	1.5	(4.2)	(4.1)
	1,223.1	1,144.0	(267.6)	(143.9)
Discontinued operations				
Bus operations	104.3	342.8	(15.0)	(50.8)
Victoria Coach Station	1.7	6.2	0.3	0.8
River services	0.5	1.1	-	(0.1)
Museum	0.5	3.8	(1.0)	(2.6)
Group services	0.9	5.7	(7.0)	(22.1)
Dial-a-Ride	-	-	(3.1)	(12.2)
	107.9	359.6	(25.8)	(87.0)
Total sales revenue and operating loss before grants	1,331.0	1,503.6	(293.4)	(230.9)
Sales by revenue source				
	2000/2001 £ m	% of total	1999/2000 £ m	% of total
Traffic revenue				
Fares	1,182.1	88.8	1,295.4	86.1
Revenue in respect of free travel for older and disabled people	45.3	3.4	87.7	5.8
Other	0.9	0.1	3.9	0.3
	1,228.3	92.3	1,387.0	92.2
Other revenue				
Rents receivable	41.2	3.1	41.6	2.8
Commercial advertising receipts	31.4	2.4	32.4	2.2
Other	30.1	2.2	42.6	2.8
	102.7	7.7	116.6	7.8
Total sales revenue	1,331.0	100.0	1,503.6	100.0

Notes to the accounts

3 Cost of operations and employee numbers

a) Cost of operations	2000/2001	restated 1999/2000
	£ m	£ m
Staff costs:		
Wages and salaries	488.0	503.4
Social security costs	39.6	40.9
Pension costs including augmentation	53.5	51.2
Voluntary severance	5.9	0.4
	587.0	595.9
Leasing and PFI charges	189.7	143.2
Energy	36.8	30.8
Materials and services	831.9	1,675.8
	1,645.4	2,445.7
Transferred to investment and third parties	(364.7)	(1,022.5)
Total cost of operations	1,280.7	1,423.2

b) Number of employees	2000/2001	1999/2000
	Number	Number
Average number of employees:		
Rail operations	16,662	16,551
Other operations	178	171
	16,840	16,722
Continuing operations	1,560	1,779
Discontinued operations		
Group total	18,400	18,501
Actual number of employees at 31 March	17,129	18,402

4 Items included in the Group profit and loss account

The profit before taxation for the year is stated after allowing for the following amounts:

	2000/2001	1999/2000
	£ m	£ m
Cost of reorganisation and restructuring	38.4	58.6
Interest receivable	(1.7)	(1.1)
Interest payable	0.1	0.1
Auditors' remuneration for audit services	0.3	0.2
Auditors' remuneration for non-audit services	0.8	1.6

Costs of reorganising and restructuring the LT Group of £38.4 million (1999/2000 £58.6 million) were funded by Government grant (see Note 7b).

Notes to the accounts

5 Emoluments of the members of the Board

Executive and non-executive Board members are appointed by the Secretary of State and, unless otherwise stated, are on contracts that are terminable upon notice not exceeding six months. The Secretary of State determines Board members' emoluments, taking advice from the LT Chairman. Some executive Board members are entitled to varying annual performance bonuses (maximum of 20% (1999/2000 40%) of salary) based on actual performance achieved against predetermined key targets (including safety, quality of service, unit cost objectives and selected key tasks). Performance related bonuses shown below relate to performance in 1999/2000, a year in which only one Board member was contractually entitled to a bonus.

Sir Malcolm Bates served as Chairman until 8 May 2001 and from 17 July 2001. Bob Kiley served as Chairman from 8 May 2001 to 17 July 2001.

	Date of expiry of current term	Salaries/fees £	Performance related bonus £	Pension benefits £	Other benefits £	Total emoluments 2000/2001 £	Total emoluments 1999/2000 £
Executive							
Derek Smith		162,396	17,177	33,000	16,286	228,859	195,769
Non-executive							
Brian Appleton		40,147				40,147	30,024
Kamlesh Bahl		19,571				19,571	14,073
Sir Malcolm Bates		40,600				40,600	38,851
Derek Higgs		19,571				19,571	9,409
Ed Wallis		19,571				19,571	14,073
Former Members							
Sir Alan Bailey	30/06/00	4,893				4,893	18,728
Clive Hodson	31/03/00	-				-	279,517
Michael Lawrence	28/06/99	-				-	5,652
David Newlands	8/05/01	27,399				27,399	17,209
Sally O'Sullivan	31/03/00	-				-	18,728
Denis Tunncliffe	31/08/00	77,143		28,000	11,867	117,010	259,914
Year ended 31 March 2001		411,291	17,177	61,000	28,153	517,621	901,947
Year ended 31 March 2000		624,345	26,551	194,000	57,051	901,947	

	Annual pension £	Increase in pension £
Derek Smith	5,865	3,123
Denis Tunncliffe	36,156	1,620

Notes to the accounts

5 Emoluments of the members of the Board continued

Disclosure is made in respect of each Board member entitled to a final salary pension of:

- the pension benefit being the transfer value of the increase in accrued pension during the year, less his own contributions;
- the amount of annual pension, on attaining normal pension age, to which he would be entitled if he left the company at the year end or is entitled, having retired during the year; and
- the increase in that pension over the year excluding any inflationary increase.

Pension costs charged to Profit and loss account in respect of past Board members were £237,350 (1999/2000 £223,690). No Board member had a material interest in any contract of significance with the Group.

6 Pensions

The LRT Pension Fund, to which the Group contributes, is a final salary scheme established under trust. Its finances are, therefore, quite separate from those of the Group. The Fund's Trustee is the LRT Pension Fund Trustee Company Limited, a wholly owned subsidiary of London Transport. Under the rules of the Fund, its 18 Trustee Directors have for many years been nominated in equal numbers by London Transport and on behalf of the Fund's membership. Over 90% of the Group's staff are covered by the LRT Pension Fund. Transport for London and its subsidiaries also participate in the Fund and it is not possible to identify the Group's share of the underlying assets and liabilities.

At regular intervals, the Fund's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest valuation of the Fund was carried out as at 31 March 2000 by the Actuary, a partner of consulting actuaries Watson Wyatt, using the projected unit method.

In accordance with SSAP 24 the pension charge in respect of the LRT Pension Fund is the cost of the benefits, less the value of the actuarial surplus spread over the expected remaining service lives of current employees. Full provision of £15.0 million (2000 £19.9 million) for the difference between the SSAP 24 charge and the actual contributions paid to the pension fund is made in these accounts (see Note 18).

London Transport bears the cost of:

- augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements;
- ex-gratia payments, which are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees;
- pensions of those Board members who did not qualify to join the LRT Pension Fund;
- supplementary payments, which are made to certain employees who retired prior to index linking of pensions.

On the instruction of the LT Director of Pensions, his deputy, a Fellow of the Institute of Actuaries, carried out an actuarial valuation as at 1 April 2001 of the above unfunded pension liabilities, using a valuation basis consistent with that adopted by the Actuary to the LRT Pension Fund in his last valuation. Full provision of £34.6 million (2000 £32.4 million) for unfunded pension liabilities is made in these accounts (see Note 18).

Notes to the accounts

6 Pensions continued

	At 31 March 2000 %	At 31 March 1997 %
The main actuarial assumptions were:		
Pensionable pay	4.50	5.75
Pension increases - existing members	3.00	4.00
- new members	3.00	3.50
Discount rate	5.30	-
Inflation	3.00	4.00
Investment return	7.25	8.25

	Valuation at 31 March 2001 £ m	Valuation at 31 March 2000 £ m
Equities	1,492	1,797
Managed and unitised funds	1,100	1,180
Interest bearing and other investments	772	813
Total market value of assets	3,364	3,790
Present value of scheme liabilities		-3,744
Surplus in scheme		46

The present value of scheme liabilities has not been valued since 31 March 2000. The method used to value the scheme liabilities is such that any value placed on those liabilities, for ongoing funding purposes, at 31 March 2001 is likely to have fallen in line with the market value of the assets.

7 Government external finance limits and grants

a) Grant funding available from Government

Government controls the level of grant given to the Corporation each year through the setting of an External Finance Limit (EFL). In 2000/2001 the EFL was fully taken up by the Corporation. The analysis of grant making up the EFL is shown below:

	2000/2001 External Finance Limit Requirement	Grant	2000/2001 External Finance Limit Requirement	Grant
	£ m	£ m	£ m	£ m
Core business	162.2		317.4	
Jubilee Line Extension	153.0		498.0	
	315.2	315.2	815.4	815.4
Movement in net funds	-		1.1	
Grant received	315.2		816.5	

Notes to the accounts

7 Government external finance limits and grants continued

b) Allocation of grants received from Government	Note	2000/2001	restated 1999/2000
		£ m	£ m
Grant disbursements towards third parties assets		1.3	16.6
Reorganisation and restructuring costs	4	38.4	58.6
Total grant disbursements		39.7	75.2
Capital grant for additions to fixed assets	17	275.5	741.3
Grant received		315.2	816.5

8 Operating leases

Under the Government's PFI initiative, agreements have been entered into for the provision by the private sector of a new fleet of trains for the Northern Line (together with associated equipment), a new communications network, a new ticketing system, new facilities for the British Transport Police and upgraded high-voltage power generation and distribution systems. Given the substantial risks retained by the private sector, these transactions are accounted for as operating leases and the assets provided are, therefore, not included in the Balance sheet. The PFI charges of £159.6 million (1999/2000 £121.9 million) are charged to cost of operations.

The Group has also entered into operational leases in respect of motor vehicles. The total rental included in the Profit and loss account was £3.4 million (1999/2000 £3.5 million). These lease agreements, which cover the cost of routine maintenance and repairs, are charged to the Profit and loss account over the period of the lease.

The Group leases certain property on short-term and long-term leases. The rents payable on these leases were £26.7 million (1999/2000 £17.8 million). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

9 Taxation

The Corporation and its subsidiaries are assessable individually to taxation in accordance with the Income and Corporation Taxes Act. No liability for Corporation tax arises in respect of the current year. At 31 March 2001 it is estimated that the remaining losses for taxation purposes and other tax reliefs, after the transfers to Transport for London, available to offset future profits are not less than £60 million in the Group (2000 £170 million), £Nil million in the Corporation (2000 £110 million). Final agreement of these losses and reliefs is outstanding with the Inland Revenue but these are not expected to be below the figures stated.

No provision for deferred taxation for timing differences is required at the Group level. The full potential liability for deferred taxation in respect of potential capital gains on revalued fixed assets has not been quantified as no tax liability is expected to arise due to the availability of rollover relief.

Notes to the accounts

10 Tangible fixed assets

	Note	and other property £ m	rolling stock £ m	Plant and equipment £ m	course of construction £ m	Total £ m
a) Group						
Gross valuation						
Balance as previously reported		11,563.4	2,791.0	1,319.3	223.5	15,897.2
Prior year adjustment	28	(237.6)	83.6	25.3	-	(128.7)
Balance as restated		11,325.8	2,874.6	1,344.6	223.5	15,768.5
Additions to fixed assets		186.9	29.3	60.6	23.3	300.1
Disposal of subsidiary companies	29	(94.1)	-	(136.9)	(25.1)	(256.1)
Disposals		(159.3)	(94.8)	(14.4)	-	(268.5)
Transfers		0.8	-	0.3	(1.1)	-
Revaluation		48.4	-	-	-	48.4
Gross valuation at 31 March 2001		11,308.5	2,809.1	1,254.2	220.6	15,592.4
Depreciation						
Balance as previously reported		4,655.7	1,633.9	575.2	-	6,864.8
Prior year adjustment	28	(105.8)	3.3	0.5	-	(102.0)
Balance as restated		4,549.9	1,637.2	575.7	-	6,762.8
Disposal of subsidiary companies	29	(27.6)	-	(54.9)	-	(82.5)
Disposals		(72.0)	(93.7)	(12.2)	-	(177.9)
Charge for the year	10c	191.9	68.7	83.1	-	343.7
Balance at 31 March 2001		4,642.2	1,612.2	591.7	-	6,846.1
Net book value at 31 March 2001		6,666.3	1,196.9	662.5	220.6	8,746.3
Net book value at 31 March 2000 as restated		6,775.9	1,237.4	768.9	223.5	9,005.7
b) Corporation						
Gross valuation						
Balance at 1 April 2000		233.0	-	116.1	23.4	372.5
Transfers to subsidiaries		(233.0)	-	(116.1)	(23.4)	(372.5)
Gross valuation at 31 March 2001		-	-	-	-	-
Depreciation						
Balance at 1 April 2000		26.7	-	52.3	-	79.0
Transfers to subsidiaries		(26.7)	-	(52.3)	-	(79.0)
Balance at 31 March 2001		-	-	-	-	-
Net book value at 31 March 2001		-	-	-	-	-
Net book value at 31 March 2000		206.3	-	63.8	23.4	293.5

Notes to the accounts

10 Tangible fixed assets continued

c) Group depreciation charge	Note	2000/2001	restated 1999/2000
		£ m	£ m
Depreciation for year:			
- on the historical cost of depreciated fixed assets		316.4	276.6
- on the revaluation element of depreciated fixed assets		27.3	34.7
Depreciation taken to the Profit and loss account	10a	343.7	311.3

d) Infrastructure and other property

Infrastructure and other property excludes bored tunnels, excavations for stations and embankments entering service prior to 1 April 1992 which are carried in the Balance sheet at nil value. Land and buildings are under freehold ownership. Infrastructure and other property includes investment properties with a value of £ 130.0 million (2000 £ 173.7 million)

e) Rolling stock, plant and equipment

Plant and equipment include £ 67.4 million (2000 £ 73.6 million) of partially complete assets.

f) Assets in course of construction

Assets in course of construction includes development expenditure on CrossRail of £ 134.8 million (2000 £ 135.9 million). Property costing £ 1.1 million was transferred to Transport for London for operational use. The Department of the Environment, Transport and the Regions has confirmed that it is committed to this project and has announced additional funding to progress it.

g) Historical cost of assets

The historical cost of assets includes all investment expenditure since 1970 and the book value transferred, when the predecessor to London Transport was formed.

	Group		Corporation	
	2001	restated 2000	2001	2000
	£ m	£ m	£ m	£ m
Infrastructure	6,297.6	6,210.0	-	73.6
Other property	65.6	114.0	-	79.2
Rolling stock	1,542.5	1,527.0	-	-
Plant and equipment	907.1	983.9	-	113.7
Assets in course of construction	220.6	223.5	-	23.4
Gross cost	9,033.4	9,058.4	-	289.9
Less accumulated depreciation	(1,785.1)	(1,571.0)	-	(54.9)
Net written down cost	7,248.3	7,487.4	-	235.0

Notes to the accounts

11 Investment in subsidiaries

	Corporation	
	2001 £ m	2000 £ m
Balance at 1 April	470.6	470.6
Additions	21.0	-
Transfers to subsidiaries	(3.0)	-
Transfers to Transport for London	(22.5)	-
Balance at 31 March 2001	466.1	470.6

12 Stocks

	Group		Corporation	
	2001 £ m	2000 £ m	2001 £ m	2000 £ m
Maintenance	18.5	13.7	-	-
Fuel	1.4	1.4	-	-
Other	-	0.4	-	0.4
	19.9	15.5	-	0.4

13 Debtors

	Group		Corporation	
	2001 £ m	2000 £ m	2001 £ m	2000 £ m
Trade debtors	91.8	103.7	46.6	75.3
Prepayments and accrued income	50.9	30.5	-	9.9
Amounts due from Transport for London	43.7	-	32.6	-
Amounts due from subsidiaries	-	-	32.3	113.7
	186.4	134.2	111.5	198.9

14 Cash at bank and in hand

	Group		Corporation	
	2001 £ m	2000 £ m	2001 £ m	2000 £ m
Deposits repayable on demand	1.9	2.1	-	2.1
Cash at bank	1.3	3.0	0.2	-
Cash in hand and in transit	10.2	7.8	-	0.2
	13.4	12.9	0.2	2.3

Notes to the accounts

15 Creditors: amounts falling due within one year

	Group		Corporation	
	2001	2000	2001	2000
	£ m	£ m	£ m	£ m
Capital works	243.7	380.1	-	7.4
Trade creditors	130.1	137.4	-	54.6
Receipts in advance for Travelcards and Bus Passes	-	83.0	-	83.0
Salaries and wages	26.8	26.2	-	1.7
National Insurance, PAYE and pensions	30.6	16.3	-	-
Rentals in advance	7.6	8.9	-	8.9
Amounts due to Transport for London	130.5	-	-	-
Amounts due to subsidiaries	-	-	-	5.5
Total creditors excluding borrowings	569.3	651.9	-	161.1
Bank overdrafts	13.3	12.7	0.2	2.3
Total creditors falling due within one year	582.6	664.6	0.2	163.4

16 Creditors: amounts falling due after more than one year

	Group		Corporation	
	2001	2000	2001	2000
	£ m	£ m	£ m	£ m
Receipts in advance	11.9	3.7	-	3.7

17 Deferred grants

	Note	Group		Corporation	
		2001	restated 2000	2001	restated 2000
		£ m	£ m	£ m	£ m
Balance at 1 April 2000 as restated	28	5,508.9	4,975.7	97.4	86.2
Capital grant received from Government	7b	275.5	741.3	-	27.2
Third-party contributions and other grant funding		0.6	27.1	-	0.9
Transfer to subsidiaries		-	-	(97.4)	-
Released to Profit and loss account:					
- to meet the depreciation charge		(253.0)	(226.3)	-	(14.7)
- on disposal of tangible fixed assets		(4.9)	(8.9)	-	(2.2)
- on disposal of subsidiaries		(156.7)	-	-	-
Balance at 31 March 2001		5,370.4	5,508.9	-	97.4

Notes to the accounts

18 Provisions for liabilities and charges

		At 1 April 2000	Payments in year	Increase in provision	Transfers to other bodies	At 31 March 2001
	Note	£ m	£ m	£ m	£ m	£ m
Group						
SSAP 24 pension provision	6	19.9	(50.9)	47.9	(1.9)	15.0
Unfunded pension liabilities	6	32.4	(3.4)	5.6	-	34.6
Claims for compensation		13.0	(2.4)	17.6	(6.1)	22.1
Voluntary severance		1.5	(0.7)	5.9	(1.0)	5.7
		66.8	(57.4)	77.0	(9.0)	77.4
Corporation						
SSAP 24 pension provision		19.3	-	-	(19.3)	-
Unfunded pension liabilities		22.3	(2.5)	3.8	-	23.6
Claims for compensation		2.5	(0.5)	0.1	(2.1)	-
		44.1	(3.0)	3.9	(21.4)	23.6

19 Corporate capital and reserves

		Vested capital	Capital reserve	Capital grant	Revaluation reserve	Total
		£ m	£ m	£ m	£ m	£ m
Group						
Balance as previously reported		198.4	718.9	5,415.4	2,122.9	8,455.6
Prior year adjustment	28	-	(101.2)	(5,415.4)	(19.0)	(5,535.6)
Balance as restated		198.4	617.7	-	2,103.9	2,920.0
Transfers to Transport for London	29	(33.8)	-	-	-	(33.8)
Transfer from Profit and loss account		-	59.9	-	-	59.9
Realisation of accumulated revaluation surplus		-	-	-	(84.4)	(84.4)
Revaluation of tangible fixed assets	10a	-	-	-	48.4	48.4
Balance at 31 March 2001		164.6	677.6	-	2,067.9	2,910.1
Corporation						
Balance as previously reported		198.4	355.1	96.5	99.2	749.2
Prior year adjustment		-	(0.9)	(96.5)	-	(97.4)
Balance as restated		198.4	354.2	-	99.2	651.8
Transfers to Transport for London	29	(33.8)	-	-	-	(33.8)
Realisation of revaluation surplus	20	-	-	-	(80.4)	(80.4)
Transfer from Profit and loss account	20	-	11.1	-	-	11.1
Revaluation of tangible fixed assets	10b	-	-	-	-	-
Balance at 31 March 2001		164.6	365.3	-	18.8	548.7

Notes to the accounts

20 Corporation's summarised Profit and loss account

	Corporation	
	2001	2000
	£ m	£ m
Operating profit after grants	-	0.7
Loss on transfer of revalued assets to subsidiary companies at historic cost	(80.4)	-
Profit on transfer of subsidiary companies	11.1	-
Profit on disposal of assets	-	3.3
Profit/(loss) for the year	(69.3)	4.0
Accumulated profit at the beginning of the year	5.3	4.5
Realisation of accumulated revaluation surplus on assets transferred	80.4	2.1
Transfer to capital reserve	(11.1)	(5.3)
Accumulated profit at the end of the year	5.3	5.3

21 Capital commitments

	Group		Corporation	
	2001	2000	2001	2000
	£ m	£ m	£ m	£ m
In respect of contracts placed	116.3	226.8	-	11.2
Authorised but not yet contracted	390.2	565.1	-	26.3
	506.5	791.9	-	37.5

22 Financial commitments

a) Operating leases

The total estimated amount payable under property leases, PFI agreements (including related services) and other non-cancellable operating leases analysed by the period of expiry, is shown below:

	Group		Corporation	
	2001	2000	2001	2000
	£ m	£ m	£ m	£ m
Property leases expiring:				
Within one year	0.2	-	-	-
Between one and five years	0.6	0.6	-	0.5
Thereafter	25.7	17.2	-	4.3
	26.5	17.8	-	4.8
PFI agreements and other leases expiring:				
Within one year	-	0.7	-	-
Between one and five years	2.0	1.9	-	-
Thereafter	157.1	156.3	40.2	44.0
	159.1	158.9	40.2	44.0

Notes to the accounts

22 Financial commitments continued

b) Contingencies

There are a number of uncertainties surrounding the Jubilee Line Extension and other major projects, including claims in the course of negotiations, that may affect the financial outcome of these projects. The financial statements include management's best estimate of the outcome of the uncertainties.

The Jubilee Line Extension was in part funded by a loan of £98.1 million from the European Investment Bank (EIB) to Olympia and York Limited, now Canary Wharf Limited (CWL). The Corporation has indemnified EIB in the event of insolvent winding up of CWL. CWL have made further payments and additional funding is due from CWL, provided it is agreed that the extended line meets certain criteria. The LUL commissioning certificate is, however, being disputed by CWL and the matter has been referred to an independent expert. Damages may become payable, in the event that it is determined that these criteria have not been met. No provision for any such damages has been made in these accounts, as the Board considers that the criteria have been achieved.

23 Related parties

All Executive and Non-Executive Board members are appointed by the Secretary of State on fixed-term contracts, as explained in Note 5. The Corporation is therefore controlled by Government and is also funded by way of Government grant.

The Corporation has had no material transactions during the year with related parties other than with group companies and those subsidiaries transferred to Transport for London. The Corporation has taken advantage of the exemption from disclosing transactions with other group companies.

24 Principal subsidiaries of the Corporation

	Activity
London Underground Limited	Passenger transport by rail
Infraco BCV Limited	Railway engineering
Infraco JNP Limited	Railway engineering
Infraco Sub-Surface Limited	Railway engineering

On 1 April 2000, London Transport transferred the majority of its assets, other than investments, to three subsidiaries – London Underground and two new companies, London Bus Services and Transport Trading. On 3 July 2000, Transport Trading, together with its subsidiaries, London Bus Services, Victoria Coach Station and London River Services, transferred to Transport for London. On 1 April 2000, London Underground transferred its engineering functions to three new subsidiaries, Infraco BCV, Infraco JNP and Infraco Sub-Surface, in preparation for the PPP. The Corporation owns all the ordinary share capital of all its subsidiaries.

Notes to the accounts

25 Group cash flow statement: reconciliation with the accounts

	Operating activities	Capital expenditure	Sales of fixed assets	Other funding	Balance sheet movement
	£ m	£ m	£ m	£ m	£ m
Amounts included in the accounts	(293.4)	(300.1)	106.2	0.6	
Depreciation	343.7	-	-	-	
Increase in stocks	(4.4)	-	-	-	(4.4)
Decrease/(increase) in debtors	(48.2)	(10.9)	5.3	1.6	(52.2)
Increase/(decrease) in creditors due within one year	53.4	(136.0)	-	-	(82.6)
Increase/(decrease) in creditors more than one year	(3.7)	-	11.9	-	8.2
Increase in provisions for liabilities and charges	10.6	-	-	-	10.6
Transfer of subsidiary companies	18.4	5.1	-	-	
Group cash flow statement	76.4	(441.9)	123.4	2.2	

26 Analysis of change in net funds

		At 31 March 2000	Movement	At 31 March 2001
	Note	£ m	£ m	£ m
Cash at bank and in hand	14	12.9	0.5	13.4
Bank overdrafts	15	(12.7)	(0.6)	(13.3)
Total cash		0.2	(0.1)	0.1
Short-term deposits		9.2	(9.2)	-
Total of net funds		9.4	(9.3)	0.1

27 Payment of suppliers

Appropriate terms and conditions are agreed with suppliers. These range from standard terms to individually negotiated contracts, for example large civil engineering contracts. Payment is made in accordance with those terms and conditions, provided that the supplier has also complied with them. The average number of days supplies owed to creditors at the year end stood at 42 days. This is calculated from the energy, materials and services invoiced in the year and the invoices outstanding at the year end. The analysis of creditors is shown below:

		Invoiced	Accrued	Total
	Note	£ m	£ m	£ m
Capital works	15	35.3	208.4	243.7
Trade creditors	15	67.5	62.6	130.1
		102.8	271.0	373.8

Notes to the accounts

28 Prior year adjustments

As explained in the Operating and financial review, the Direction to the Corporation has been amended during the current year, requiring the Group to comply with both Financial Reporting Standard 15 and Statement of Standard Accounting Practice 4. This has resulted in the following changes and prior year adjustments.

Whereas previously the Group had used the 31 March 1999 book values as the retained values under the transitional rules of FRS15, the Group has now determined to use the book values as at 31 March 1998 as the retained values, in common with London Underground and these valuations will not be updated. Subsequent revaluation (excluding investment properties) of £19 million has been eliminated.

Under the previous Direction, infrastructure was previously not depreciated, but its replacement was expensed in the profit and loss account as renewals. The Direction now requires full compliance with FRS15 and therefore the Group has determined to apply component accounting and to capitalise additions and to depreciate each component over its useful life. Infrastructure being replaced is treated as a disposal.

The net impact of capitalising expenditure which had previously been expensed, disposing of infrastructure being replaced and charging depreciation on infrastructure is to reduce fixed assets by £26.7 million (£128.7 million gross valuation less £102.0 million depreciation, see Note 10a). The impact on the current year's results cannot be ascertained, as no record has been maintained of the expenditure that would previously have been classified as renewals.

Following the change to depreciate infrastructure that is mainly grant funded, the Direction has been amended to require full compliance with SSAP4. £5,508.9 million of grant previously credited to a capital grant reserve has now been classified as deferred income (see Note 17).

The amount of deferred income amortised through the profit and loss account in line with the related depreciation has been increased by £94.6 million in the prior year, but a renewals grant of £41.6 million previously released to the profit and loss account has now been transferred to deferred income. The impact on the current period is unknown.

Revaluation reserve is now transferred to the profit and loss account to match the depreciation on that element of the book value representing a previous revaluation. A further £19.6 million has now been released in respect of 1999/2000. The comparative amounts for the year ended 31 March 2000 have been restated accordingly.

Notes to the accounts

29 Transfer of subsidiary companies

On 3 July 2000, Transport Trading, together with its subsidiaries, London Bus Services, Victoria Coach Station and London River Services, transferred to Transport for London for no consideration. In accordance with the Direction, the vested capital has been reduced for the net assets vested in Transport for London.

	<i>Note</i>	<i>£ m</i>
Fixed assets - gross valuation	10a	256.1
Less: depreciation	10a	(82.5)
Net book value		173.6
Short-term deposits and cash		44.9
Net liabilities - operating	25	(18.4)
- capital	25	(5.1)
Deferred grants	17	(156.7)
Net assets		38.3
Reduction of vested capital	19	33.8
Loss on transfer of subsidiary companies		(4.5)
Realisation of the accumulated revaluation surplus		4.5
Historical cost profit on transfer		-

Summarised accounts: London Underground

Profit and loss account

		restated
<i>year ended 31 March 2001</i>	£ m	£ m
Sales revenue	1,229.4	1,148.7
Cost of operations	(1,156.2)	(995.1)
Gross operating margin	73.2	153.6
Depreciation	(340.8)	(298.8)
Operating loss before grants	(267.6)	(145.2)
Grants taken to the Profit and loss account	250.7	137.1
Operating loss after grants	(16.9)	(8.1)
Profit on disposal of assets	20.3	10.5
Taxation - group relief	(23.5)	-
Profit/(loss) for the year	(20.1)	2.4
Realisation of accumulated revaluation surplus	79.8	34.6
Transfer to capital reserve	(59.7)	(37.0)
Retained profit for the year	-	-

Balance sheet

	2001	restated 2000
<i>at 31 March 2001</i>	£ m	£ m
Fixed assets	8,746.3	8,693.4
Net current liabilities	(474.5)	(546.7)
Total assets less current liabilities	8,271.8	8,146.7
Creditors falling due after one year	(11.9)	-
Deferred grants	(5,370.4)	(5,395.5)
Provisions for liabilities and charges	(53.8)	(19.3)
Net assets	2,835.7	2,731.9
Total capital employed	2,835.7	2,731.9

The above results for both periods have been extracted from the accounts of London Underground. Sales revenue and cost of operations include inter-company trading, which is eliminated on consolidation. Net current liabilities include inter-company balances. The comparatives for 1999/2000 have been restated as the accounting policies of London Underground differed from those of the Corporation as explained in the Operating and financial review.

London Underground: statistics

	<u>Actual</u>	<u>Target</u>
Operational performance		
Excess journey times (minutes)	3.69	3.02
Kilometres operated (000's)	63,808	67,300
Customer satisfaction (score)		
Train service	75	77
Safety and security	80	83
Staff helpfulness and availability	68	70
Cleanliness	67	69
Information	76	77
	<u>2000/2001</u>	<u>1999/2000</u>
Accidents to passengers, public and employees		
Fatalities to passengers/public	7	6
Major injuries to passengers/public	137	104
Fatalities to employees/contractors	1	-